UNITED STATES BANKRUPTCY COURT MIDDLE DISTRICT OF TENNESSEE (NASHVILLE)

IN RE: . Case No. 3:19-bk-07235

. Chapter 7

CUMMINGS MANOOKIAN, PLLC,

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Debtor.

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JEANNE ANN BURTON, . Adv. No. 3:20-ap-90002

. . .

Plaintiff,

•

v. . 701 Broadway

. Nashville, TN 37203

HAGH LAW PLLC, et al.,

. Tuesday, April 4, 2023

Defendants. . 8:03 a.m.

. . . . . . . . . . . . . . . . .

TRANSCRIPT OF MOTION TO RECUSE JUDGE CHARLES M. WALKER [161]
BEFORE THE HONORABLE CHARLES M. WALKER
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For the Plaintiff: Thompson Burton PLLC

By: PHILLIP G. YOUNG, ESQ.

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APPEARANCES CONTINUED.

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## APPEARANCES (Continued):

For the Defendants:

Spragens Law PLC

By: JOHN T. SPRAGENS, ESQ.

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By: CRAIG VERNON GABBERT, JR., ESQ. 150 Third Avenue South, Suite 2800

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1 (Proceedings commence at 8:03 a.m.) THE COURTROOM DEPUTY: All rise. The United States 2 3 Bankruptcy Court for the Middle District of Tennessee is now in session. The Honorable Charles M. Walker presiding. 5 THE COURT: Good morning. Please take your seats. THE COURTROOM DEPUTY: Your Honor, we're here on Case 6 20-90002, Burton v. Hagh Law, PLLC. 8 THE COURT: All right. Mr. Spragens, your motion. 9 MR. SPRAGENS: Yes, Your Honor. Your Honor, as the Court knows, excuse me, we're here today on a motion to recuse 10 11 the Court from proceeding -- presiding over this matter. 12 be happy to reserve argument for the end, if that's okay with 13 the Court, and just go ahead and put on a witness. 14 THE COURT: Proceed. 15 MR. YOUNG: Your Honor, at this time I'm going to 16 lodge an objection to any witnesses or exhibits being offered 17 because of failure to comply with Rule 9014-1. That rule requires any witness and exhibit list to be filed by noon on 18 19 the second business day prior to a hearing. That would have 2.0 been Friday at noon. 21 In this case, no witness and exhibit list was filed 22 until yesterday at about 10:30, and even then it didn't comply 23 with the rule in that there was no substance of testimony 24 listed. So we would object to the presentation of any witnesses or exhibits in this case.

1 THE COURT: Okay. Mr. Spragens, response? 2 MR. SPRAGENS: Your Honor, it is true that we filed 3 our exhibit list inside of two business days prior to this 4 morning's hearing, and I apologize to the Court for that. 5 was an oversight on our part. I thought that the substance of 6 the testimony that we were expecting to offer was well known to 7 everyone since we had put it in the briefing. I didn't think 8 there were any surprises there. 9 So I would ask the Court to let me call Mr. Young to 10 testify about the limited topic of his conversations with the 11 Court or the Court staff, for purposes of today's evidentiary 12 hearing. 13 THE COURT: All right. Mr. Young? 14 MR. YOUNG: Yes, Your Honor. 15 THE COURT: Do you still have an objection to 16 offering that limited scope? 17 MR. YOUNG: I do, Your Honor, because Rule 9014-1 18 wasn't complied with, and the Local Rules are here for a 19 The Court's order specifically directed the parties to 20 comply with all federal rules and all local rules. The Court 21 put that in the order itself scheduling this hearing. So we 22 would have an objection, and if the Court is going to allow me, 23 I also want to -- is going to allow testimony on my part, I 24 want to talk about Rule 3.7 of the Rules of Professional 25 Conduct as well regarding my participation in the hearing, if

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the Court's inclined to allow that testimony.
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              MR. SPRAGENS: Your Honor, could I just briefly
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    respond to that?
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              THE COURT: Yes.
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              MR. SPRAGENS: I haven't heard any articulation of
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    prejudice. I do apologize for failing to follow the local
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    rule, but I -- since we've talked about this subject now for
    several months, and we briefed the testimony that we're seeking
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 9
    from Mr. Young previously, I don't think there's any unfair
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    surprise. And I don't think that the very limited nature of
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    the testimony we're seeking, you know, there's any prejudice
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    from filing the list 26 hours in advance of the hearing instead
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    of 48 hours on business days.
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              THE COURT: Well, I guess here's the question. Since
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    you've already got Mr. Young's deposition, that's been
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    submitted in the record already, what new is to be gained by
17
    further testimony from Mr. Young covering the same ground? Why
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    not just proceed with your argument?
19
              MR. SPRAGENS: Well, I would be inclined to ask Mr.
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    Young if he stands by all the testimony in that deposition,
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    just to confirm that. I would certainly be prepared to impeach
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    him with that testimony if he changes his responses, you know,
23
    typical of any courtroom testimony.
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              Beyond that, if the Court declines to let Mr. Young
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    testify today, we do have his deposition transcript, and I
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would ask the Court to take judicial notice of it.
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              THE COURT: Okay.
              MR. YOUNG: And we would have no objection to the
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 4
    entry of that deposition testimony.
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              THE COURT: All right. Well, this one is an
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    interesting case, as all parties are aware. The fact that this
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    case was scheduled last week, so there was an actual additional
    week to file and comply with all the rules, makes the Court
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    hesitant to extend further grace in this matter. So the Court
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    is going to sustain the objection lodged by the trustee's
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    counsel, and you may proceed with your argument.
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    obviously, the Court's well aware of the issues. Mr. Young has
1.3
    given his deposition. So you're welcome to proceed.
14
              MR. SPRAGENS: Your Honor, the next matter with
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    respect to argument is how -- how I might inquire about the
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    Court's knowledge of ex parte communications between Mr. Young
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    and the Court's office, or the Court's staff.
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              As you know, we attempted to notice your deposition
19
    to try to find out what you knew. You quashed that subpoena.
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    I've tried to list you again as a witness today because we're
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    in a tough situation here as a litigant who is -- I'm trying to
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    find out about ex parte communications between some outside
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    attorneys and the Court, and we don't know what's been said.
24
    We don't know who said them.
                                  So --
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              THE COURT: I think you do know. You took
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Mr. Young's deposition, and you have exactly what you have that
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    led to you filing the motion in the first place. You have my
    statements on the record. You may proceed however you like,
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 4
    but the Court doesn't have any knowledge other than what you've
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    already been given.
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              MR. SPRAGENS: Okay. Well, if that's the Court's
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    statement on the matter, I appreciate it. Your Honor,
    my -- I'll just argue and let you know the way we look at this
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    issue in this case.
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10
              THE COURT: And let me clarify. When you say "we,"
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    Mr. Gabbert, are you joined in with this argument in full or
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    partially?
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              MR. GABBERT: I'm supporting the motion, Your Honor.
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              THE COURT: Okay.
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              MR. SPRAGENS: So, Your Honor, the fact is this
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    Court, in setting up the logistics of depositions, which
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    ordinarily would be occurring at my office when I'm putting
18
    forward a witness -- that's routine in my practice. You know,
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    I've got parking places. I've got a conference room, and we
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    have depositions there on a weekly or every other weekly basis.
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    You know, Mr. Young made a representation at a hearing that he
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    was not comfortable with that deposition being set in my
23
    conference room and with Mr. Manookian testifying there.
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              We stood at this podium and had a discussion about
    that, and the Court undertook to address the hundred pound
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gorilla in the room, that's the Court's language, and what the 2 Court said was that my client's "past behavior before the 3 tribunals -- I've had at least two lawyers call the Court and 4 say they don't feel comfortable if your client is going to 5 appear and you know the Court takes those concerns very 6 seriously and makes no conclusion on whether they're valid. 7 They are perceptions which drive behaviors of other parties." That was the first I had ever learned or, you know, 8 9 my client had ever learned about contact from outside lawyers 10 with the Court about whether Mr. Manookian posed a safety risk 11 or whether other people felt uncomfortable, whatever that 12 means, appearing with him in this court. We endeavored to 1.3 learn more about that. I did ask Mr. Young those questions 14 during his deposition. I learned about one contact that Mr. 15 Young had had, and that was at the outset of this whole 16 proceeding. 17 Mr. Young testified, on Page 44 of his deposition, 18 that he called this Court's Courtroom Deputy to alert her to 19 the fact that a creditor's lawyer had an order of protection. 20 And he, Mr. Young, represented that this was a logistical 21 question about an order of protection that Dan Puryear had and 22 that he was contacting the Court about that. He testified he 23 believed that the person he spoke to was Lauren, the courtroom 24 reputy, and the record speaks for himself -- itself that he did 25 not file a motion about this issue. He did not alert me at any

time. The first we learned about this contact was when the
Court mentioned it, assuming the Court is talking about the
same telephone call that Mr. Young testified about.

So there was an ex parte communication specifically about the safety risk posed by my client. That was how we started this case, and I first learned about that when the Court mentioned it sua sponte in endeavoring to build a record sua sponte to justify holding depositions in this courthouse instead of in the ordinary course at my office. So to me, that contact is troubling. That contact was not disclosed by the Court. It was not disclosed by Mr. Young, and I learned about it in this courtroom from this Court's, you know, statements on the record.

Then there has been apparently another -- you know, you said at least two. I don't know who the second phone call was. I don't know what attorney called. I don't know if it was Mr. Puryear or somebody else, but there have been apparently two phone calls to the Court or its personnel about my client, and the Court formed enough of a view about Mr. Manookian that it departed from the ordinary course in how depositions were to be conducted.

I would add that those depositions were completely uneventful. We all sat in those -- in those rooms down the hall and, you know, I can't prove the counterfactual, but that's how they would have been if they were held at my office

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too. I have every reason --
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              THE COURT: Well, you can't prove that, can you?
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              MR. SPRAGENS: No, I can't, Your Honor.
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              THE COURT: Were other depositions taken here in the
 5
    courthouse?
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              MR. SPRAGENS: Yes, Your Honor.
 7
              THE COURT: So it wasn't just Mr. Manookian's
 8
    deposition?
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              MR. SPRAGENS: That's right. You ordered that all
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    depositions would be taken in the courthouse based on the
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    finding that Mr. Manookian posed some sort of a risk to other
12
    parties. That's my recollection. I think that was the basis
1.3
    for your ruling.
14
              So the -- the issue here is we know about one contact
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    that is, I think, very prejudicial to my client. I think the
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    fact that we departed from the ordinary course demonstrates
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    that it has tainted the Court's view of my client.
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    comments about his behavior toward the tribunals and other
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    lawyers calling, I believe that that gives a reasonable
20
    observer a basis to question this Court's impartiality.
21
              And to this day, I don't know about the second
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    contact. I know that there's been another attorney who's
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    called your chambers, and I don't know who it was. I don't
24
    know what they said, and this Court never came out and
25
    disclosed that to us until it served the interest of the ruling
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that the Court was making. It never disclosed it on the record. It never said I think everyone just needs to know about this. And, certainly, Mr. Young never disclosed his contact to us, didn't get me on the phone to call the Court.

And there was nothing emergent about the phone call. It could have been done through the ordinary adversary process. It could have been put on the docket.

So in our view, the two contacts, the failure to

disclose the contacts, the departure from the ordinary course, all provides a reasonable basis to suggest that this Court's impartiality can be questioned. It is not to say that this Court is a, you know, biased tribunal. It's not to say that this Court is unfair, and I make no judgments about this Court's, you know, fairness or decency. It's, obviously, not fun to have to come stand here and argue this motion in front of you. However, the standard is an objective standard. It is would a reasonable observer question this Court's impartiality, and I think given the multiple contacts, the lack of disclosure, and the fact that the litigation somewhat sua sponte departed from the ordinary course suggests that a reasonable observer would raise those questions.

So that's why we've asked this Court to recuse itself. It shouldn't slow down the litigation. There are other bankruptcy judges in this courthouse who can pick right back up where we left off. If they have formed views of

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Mr. Manookian, by reading news articles or other interactions
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    they've had with lawyers in the community, they can disclose
    them. We can figure out what to do about them, and we can find
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    a bankruptcy judge who doesn't have any knowledge or
 5
    prejudgment of Mr. Manookian's character or his propensity for
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    some sort of unspecified misconduct.
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              Finally, I would just point out that I don't think
    there is anything in the record that suggests that he's ever
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 9
    behaved in any sort of dangerous or threatening way in front of
10
    a court or in a deposition. I would just note that for the
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    record. So if Your Honor has any questions, I'm happy to
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    answer them. I appreciate the hearing.
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              THE COURT: Well, are there any documents that have
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    filed in this case from other tribunals?
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              MR. SPRAGENS: I'm not sure I understand what the
16
    Court is asking.
17
              THE COURT: Just that. There are documents that have
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    been filed on the record in this case from other tribunals.
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    Could that possibly be a way that a court might find out about
20
    what's going on in a case?
21
              MR. SPRAGENS: If you're talking about the Williamson
22
    County Court in front of Judge Binkley, is that the -- I'm
23
    sorry, Your Honor. I can't -- it feels a little bit like law
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    school where I don't know the answer that you're looking for
25
    here, so --
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              THE COURT: I'm not looking for an answer at all,
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    Mr. Spragens. I -- and disregard -- disregard the question.
 3
              MR. SPRAGENS: Okay. I mean, to me I don't know
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    anything in the record in this case that demonstrates some sort
 5
    of misconduct toward a tribunal. If the Court is suggesting
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    that it contacted another judge to ask about Mr. Manookian, or
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    something like that, you know, I think that that's also
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    improper and an ex parte communication. So I'd love to hear
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    about that if that is what we're getting at here.
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              THE COURT: That's not what we're getting at. So any
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    other argument?
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              MR. SPRAGENS: No, Your Honor. Thank you.
13
              THE COURT: All right. Anything, Mr. Gabbert?
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              MR. GABBERT: No, Your Honor.
15
              THE COURT: All right. Mr. Young?
16
              MR. YOUNG: Your Honor, Phillip Young on behalf of
17
    the trustee. I'm going to keep this very brief because this
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    isn't our motion, and the motion seeks relief that's not
19
    directly related to the trustee's case. I'll only note really
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    two things just for the record.
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              I don't think that scheduling depositions at the
22
    courthouse is a departure from the ordinary course. Trustees
23
    depose people at the courthouse all the time. We discussed
24
    that at this status conference.
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              I also would note that the Chase -- the orders that
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gave rise to the Chase claim, that's what we've referred to it,
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    so the Williamson County orders have in fact been filed in this
    case on multiple occasions by multiple parties, and I
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 4
    don't -- I think that could certainly form the basis of the
 5
    Court's opinion about other tribunals.
 6
              We filed a response in this case at Docket Number
 7
         The purpose of that response was just to clarify some of
    the facts and to clarify the law and the issues related to the
 9
    motion. But unless the Court has further questions of me,
10
    we'll just rely on that response.
11
              THE COURT: All right. No questions.
12
              MR. GABBERT: Just for the record, I've been
13
    practicing in this court for 40 years, over 40 years. This is
14
    the first case I have ever had that depositions have been
15
    required at the courthouse without any explanation except that.
16
              THE COURT: All right. Anything else?
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              MR. SPRAGENS: No, Your Honor. We'll rest on our
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    brief and the argument presented today.
19
              MR. YOUNG: Nothing else, Your Honor.
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              THE COURT: All right. The Court will take a short
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    recess, and I will rule from the bench.
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              THE COURTROOM DEPUTY: All rise.
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         (Recess taken at 8:19 a.m.)
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         (Proceedings resumed at 9:17 a.m.)
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              THE COURTROOM DEPUTY: All rise.
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THE COURT: Please take your seats. All right. We are here in the Burton v. Hagh, Case Number 20-90002, motion to disqualify. I will read an oral ruling from the bench at this time. Court would like to thank counsel for the briefings and the arguments in this case.

This matter is before the Court today to address

Defendant's motion to disqualify the presiding judge from the

case pursuant to 28 U.S.C. Sections 455(a) and (b)(1), and the

Code of Conduct for Federal Judges. Mr. Gabbert advised the

Court that he joins in the motion on behalf of the Defendants,

Afsoon Hagh and Hagh Law.

We opened today with the objection of the trustee to the presentation of any witnesses or evidence based on the motion -- on the movant's failure to comply with Local Rule 9014-1. Mr. Spragens apologized to the Court and stated that there was no prejudice from the filing of the witness list a mere 26 hours prior to the hearing. That argument begs the question then why have a rule. The rules are in place to maintain the balance and integrity of these proceedings. That is why the Court ordered compliance with all applicable federal and local rules in the order setting this hearing.

It is also important to note that upon Mr. Gabbert's motion the afternoon before the original hearing, this matter was continued with no witness list filed prior to that hearing or in the week after. And, finally, as Mr. Gabbert so

graciously reminded the Court, he has been practicing in this
Court for 40 years. So the rules and procedures are not
unknown to him. They should, in fact, be second nature.

Therefore, the objection to the presentation of witnesses and evidence is sustained.

As for the motion, movants allege the -- that impermissible ex parte communications have occurred between the Judge, the Judge's chamber staff, and third parties, as well as Plaintiff's attorney, and this Court failed to disclose these communications. They also allege that the judge conducted an independent investigation involving extra judicial research into matters regarding Brian Manookian, and these allegations have resulted in a prejudice against Mr. Manookian.

Although it appears that it is an impermissible stretch to accuse a sitting judge of having direct conversations with third parties, as well as conducting an investigation regarding a person who is not a party to any case before him, the movants insist that the allegations are so egregious that disqualification is the only judicial -- the only judiciable outcome of their motion.

The accusations here are that the judge is prejudice against a potential witness in this adversary proceeding. The accusations are based on various fragments and snippets, both on and off the record, all attributed to the judge in some convoluted way and that somehow these allegations pieced

together, like letters cut from a magazine for a ransom note, contains some legitimacy simply because Mr. Manookian says they do. The motion is rife with language and projections crafted to incite indignation. But Mr. Manookian is mistaken to think that such presentation lends legitimacy to an argument relying on a reasonable belief.

He is also mistaken to think his judgment rules the day. Although his belief is the subject of the motion, that belief is also subject to a test for reasonableness. The determination he seeks is an objective one. In other words, it is not legitimate simply because he believes it. It is only valid if a reasonable person would believe the same thing.

28 U.S.C. Section 455(a) states any United States judge shall disqualify himself in any proceeding in which his impartiality might reasonably be questioned. 28 U.S.C. Section 455(b)(1) states that a judge shall disqualify himself where he has a personal bias or prejudice concerning a party, or personal knowledge of disputed evidentiary facts concerning the proceedings. Canon 3(c) of the Code of Conduct for Federal Judges is almost identical to 28 U.S.C. Section 455, requiring a judge to remove themselves from a case if there is a reasonable appearance of impartiality, personal bias or prejudice, or personal knowledge of a disputed evidentiary fact.

The record, for those of you who might need a

refresher, is established by either communicating with the 2 Court while the Court is in session, or by filing something on 3 the Court docket. The Court is charged with the integrity of 4 the record. Part of maintaining that integrity involves 5 court -- courts calling for parties to articulate matters on 6 the record. It is also important to note that the record 7 contains past rulings made by a tribunal in the proceedings, or in the case of a bankruptcy, an adversary to the proceeding. 8 Moreover, courts communicate with the parties to an action via 9 10 the record. That is why this Court disclosed the ex parte 11 communications from counsel, regarding the restraining order 12 against Mr. Manookian, on the record in open court. That is why courts disclose these things. 13 14 Extrajudicial research, on the other hand, would be information garnered through means other than reading the 15 16 record. As independent investigation presumably falls under 17 the category of extrajudicial research, it also would require a 18 source outside the record. In the matter before us, the record 19 extends back to November 6, 2019, and contains the 168 docket 20 entries in the main bankruptcy case, as well as the 225 docket 21 entries in this adversary proceeding. Although the movants 22 insist that the judge has been prejudiced against 23 Mr. Manookian, the record reflects no such prejudice. Although 24 movants insist that requiring the depositions to be held in the courthouse reflects the presence of the Court's prejudice 25

against Mr. Manookian, what it more reasonably reflects is the judge's familiarity with the case.

Mr. Spragens stated that Mr. Young called the courtroom deputy to inform her of an order of protection against Mr. Manookian by a creditor's attorney, and that was how we started this case. First of all, the courtroom deputy is not a member of Judge Walker's chamber staff. Secondly, that is not how we started this case. The hearing on March 17, 2022, involved cross motions to compel and reflected the biggest issue so far in this adversary, discovery. In fact, the case is comprised mostly of three years of discovery disputes with rulings reflecting the Court's stamina for fairness and judiciable administration of the case.

Mr. Spragens sought to take advantage of the Court's patience by stepping dangerously close to a line with his accusation that this judge may have had communications with judges in other tribunals about his client. His accusation was with absolutely no basis and was, as I stated, dangerously close to the line drawn by Rule 11. The fact is the applicable standard here is an objective one applied to facts, not applied to whatever imaginative scenario the movants can conjure up out of thin air.

Simply because a ruling does not reflect the stated interest of a party or non-party doesn't mean we default to disqualifying prejudice. The transcript shows that the

decision on March 17, 2022, as on all days, was so that there would be no advantage or disadvantage to any party.

fair ruling.

Illustrative of this, the order that Mr. Manookian's deposition be scheduled the courthouse. What is glaringly absent from the motion is the fact that the judge ordered all depositions to be conducted under the same terms in that order. All parties, including the plaintiff, were to have their depositions at the courthouse. This was another ruling in another discovery controversy with another clearly objective, reasonable, and

Moreover, none of these issues are material to the case. Material to the logistics of the case, sure. But given the inability of these parties and these witnesses to conduct discovery without disagreeing about every little detail, it was necessary for the judge to rule on all of the discovery matters and to do so in an equitable, fair, and reasonable manner, and that he did.

The expectation of lawyers in the discovery process, as reflected in the applicable rules, is to conduct themselves in a professional, civil, and agreeable manner in order to resolve the case either on the merits or by settlement. The contentious nature of these discovery proceedings were a beast, one might say a gorilla, with which the Court has tamed as best as possible.

Furthermore, this Court never had to rely on

extrajudicial research. Now let's get back to the record for 2 this one. The record contains the rulings from other tribunals 3 that have found Mr. Manookian to have acted in bad faith, 4 engage in a pattern of obfuscation, and conduct himself in a 5 reckless manner. Specifically, a Williamson County judge found 6 that Mr. Manookian had knowingly, willfully, and intentionally 7 violated a protective order and then attempted to mislead that 8 court about that violation. That judge found Mr. Manookian's 9 behavior regarding discovery matters to be so egregious that he 10 imposed significant monetary sanctions against him. All of 11 this is part of the record in this case. 12 Additionally, this case did not find that Mr. 13 Manookian posed a threat. That would be the state court that 14 issued the restraining order. This Court simply sought to 15 honor that order, as federal courts do with most state court 16 orders, and to protect the integrity of the proceedings. 17 Movants neglect to mention that the judge stated having the 18 depositions in the courthouse protects everyone, including 19 Mr. Manookian. 20 Therefore, although the movants express their 21 perceptions of bias and prejudice, the record does not support 22 that as a reasonable view. The record shows not only 23 evenhanded judgment in this proceeding, but also illustrates

the Court's elevated patience with a painful number of

discovery disputes, including the ones that is the catalyst of

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this motion. 1 Since any ex parte communication was permissible and 2 that it was not material, but concerned with security and 3 4 administrative procedures within the Court, and because no 5 extrajudicial research was conducted to impair this Court's 6 impartiality, it is mandatory that I deny the motion to 7 disqualify. Since there was no reasonable possibility that my 8 objectivity and neutrality has been compromised, it is 9 incumbent that I remain on the case. The absence of any 10 reasonable question regarding my impartiality demands that I 11 deny the motion to disqualify. 12 The Court will issue an order containing full 1.3 analysis and discussion. The Court will also enter an order 14 scheduling an evidentiary hearing on Mr. Manookian's objection 15 to the motion to compromise in the main case, that hearing 16 being bifurcated into Mr. Manookian's standing issue and the 17 substance of his objections. Any questions? 18 MR. SPRAGENS: No, Your Honor. 19 MR. YOUNG: No, Your Honor. 20 THE COURT: All right. Court will be adjourned. 21 THE COURTROOM DEPUTY: All rise. 22 (Proceedings concluded at 9:32 a.m.) 23 24 25

CERTIFICATION I, Alicia Jarrett, court-approved transcriber, hereby certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter. alicia I farrett ALICIA JARRETT, AAERT NO. 428 DATE: May 5, 2023 ACCESS TRANSCRIPTS, LLC